

**DAIRY INDUSTRY ADVISORY COMMITTEE
DRAFT RECOMMENDATIONS**

1. **MAINTAIN AND EXPAND PROGRAMS FOR EXPORT MARKET DEVELOPMENT.** Continue and expand programs like the Market Access Program and the Foreign Market Development Program.
2. **DEVELOP A SYSTEM THAT PROVIDES AN ACCURATE ASSESSMENT OF PROFITABILITY IN THE DAIRY INDUSTRY.** Develop a data gathering and reporting system that expresses farm profitability in the dairy industry using an index to provide an impartial overview of the general level of profitability at the farm level based on the milk price-feed cost margin.
3. **SIMPLIFY AND IMPROVE RISK MANAGEMENT PRODUCTS FOR DAIRY FARMERS.** Continue to simplify and improve Livestock Gross Margin-Dairy and Adjusted Gross Revenue-Lite in order to make them more accessible and easier for dairy farmers to use and adapt Livestock Risk Protection for use by dairy farmers. Expand risk management education.
4. **ESTABLISH RISK MANAGEMENT MARGIN LINES OF CREDIT.** A USDA based credit mechanism (direct lending or credit guarantee) for first buyers of milk (cooperative or proprietary) to cover the margin deposits required on contracts for risk management between first buyers and producers of raw milk should be developed.
5. **SUPPORT REDUCTION OF SOMATIC CELL COUNT STANDARD.** Recommend that the Secretary of Agriculture support the adoption of a maximum somatic cell count of Grade A milk in the amount of 400,000 cells per milliliter at the farm level at the Interstate Milk Shippers Conference. The implementation should occur over a period of time not to exceed 48 months.
6. **ADOPT TAX-DEFERRED FARM SAVINGS ACCOUNTS.** Dairy farm operators should have accounts available with no government match for contributions, no limit of dollars deferred per year, money must remain in an account a minimum of six months with withdrawal at account-holders discretion thereafter and payment of taxes on contributions and interest would occur upon withdrawal.
7. **PROVIDE INCENTIVE PAYMENTS FOR ENVIRONMENTAL PRACTICES.** The Secretary of Agriculture should increase the amount of money available for incentive payments to dairy farmers for environmental practices that address social, economic and environmental benefits to dairy farm communities.

8. **CONTINUE THE EQIP AND GRANT PROGRAMS.** Continue EQIP program and give dairy farmers preference in grant programs for implementation of energy audits, infrastructure development for value-added processing and distribution facilities, construction of facilities to meet food safety regulations and farmland protection and allow beginning farmer loans for farm transfers between generations.
9. **RECOMMEND THAT THE SECRETARY OF AGRICULTURE SUPPORT PROGRAMS THAT ENHANCE VALUE-ADDED MARKET DEVELOPMENT FOR DAIRY FARMS AND DAIRY PRODUCTS.** Explore opportunities, including, but not limited to development of educational training programs and technical assistance for farms, inspectors, and regulatory personnel to accommodate unique value-added dairy farm operations. A study should be made to examine the impact of user fees on value-added dairy product operations.
10. **PHASE OUT ETHANOL SUBSIDIES.** Support the rapid phase out of the blender's credit and tariff on imported ethanol.
11. **EXPLORE ENHANCED FLUID MILK STANDARDS.** Encourage the Secretary to explore the impacts of California-type fortification standards for U.S. beverage milk.
12. **REVIEW FEDERAL MILK MARKETING ORDERS.** The Secretary of Agriculture should appoint a committee to review implications of Federal Milk Marketing Orders, including, but not limited to end-product pricing's impact on milk price volatility and the impact of classified pricing and pooling on processing investment, competition and dairy product innovation.
13. **STRONGLY CONSIDER THE ELIMINATION OF END PRODUCT PRICING.** Explore alternative measures to current end product pricing system such as, competitive pricing, mandatory price reporting, etc.
14. **NEW DATA COLLECTION.** Collect and publish data on alternative measures of a competitive pay price, considering but not limited to the proposals of the National Milk Producer Federation and Maine Dairy Industry Association.
15. **EXPLORE ELIMINATION OF THE DAIRY PRODUCT PRICE SUPPORT PROGRAM AND THE DAIRY EXPORT INCENTIVE PROGRAM AND USE BUDGET SAVINGS TO ENHANCE THE SAFETY-NET FOR PRODUCERS.**
16. **RESTRICT USE OF DAIRY DESCRIPTORS.** Recommend that USDA support restriction of dairy descriptors, including milk, cheese, yogurt, butter, for use on products made from milk.

17. **MODIFY MILK INCOME LOSS CONTRACT PROGRAM AND PROVIDE A MARGIN INSURANCE OPTION USING FUNDS FROM THE ELIMINATION OF THE DPPSP AND DEIP.** Continue MILC with production cap based on available funds with two important modifications: (1) use an all-milk income/feed cost margin trigger, and (2) provide an insurance program for production excluded by the cap to provide protection for larger producers.
18. **ADOPT A GROWTH MANAGEMENT PROGRAM.** Adopt a growth management program that allows new producers to enter and allows producers to expand production.
19. **DAIRY HERD HEALTH.** Create a program to rapidly eradicate TB and Johnes from the U.S. dairy herd.
20. **DAIRY LABOR ISSUES.** The Secretary of Agriculture should use his influence with other agencies and Congress to provide legal means for dairy farms to employ year-round long-term immigrant labor. Provide assurance that existing farm-laborers have the opportunity to obtain permanent resident status.
21. **SUPPORT COMPETITIVE MARKETING STRUCTURES.** USDA, through its regulatory authority and in cooperation with FTC and DOJ, should continue to monitor and support competitive marketing structures throughout the supply and marketing chain of the dairy industry.
22. Conduct an ongoing examination of LGM-Dairy and an overhaul of AGR-Lite in order to make them more accessible and easier for dairy farmers to use.
23. The Secretary should work with the FSA in Washington, DC, and all state FSA Executive Directors and State Committee members, particularly those in states with significant numbers of dairy operations, to promote efficient and effective use of the Farm Loan Program for dairy farmers. We especially encourage the use of the Guaranteed Loan program with existing commercial lenders.
24. The Secretary should develop a system of triggers and actions to guide his choices for special and emergency interventions, using existing programs.